

**CITY OF CORVALLIS**

*Investment Council*

*Treasury Report*

March 2012

**CITY OF CORVALLIS, OREGON**  
**INVESTMENT COUNCIL**  
*Treasury Report - Table of Contents*

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## **INVESTMENT COUNCIL MEETING**

**May 3, 2012**

**Madison Avenue Meeting Room**

**Thursday - 7:30 am**

### **\*\*\*AGENDA\*\*\***

- I. Approve Minutes of Previous Meeting  
- February 2, 2012
- II. Fiscal Year 2011-2012 Third Quarter Review  
- Quarterly Portfolio Summary
- III. Annual Investment Policy Review
- IV. Davidson Fixed Income Management, Inc.  
- Deanne Woodring
- V. Open Discussion

**\*\*\*Next Meeting – August 2, 2012 - Thursday 7:30 am\*\*\***

**DRAFT**  
**CITY OF CORVALLIS**  
**INVESTMENT COUNCIL MEETING**  
**FEBRUARY 2, 2012**  
**MINUTES**

The City of Corvallis Investment Council meeting was called to order at 7:30 a.m. on February 2, 2012, in the Madison Avenue Meeting Room, 500 SW Madison Avenue, Corvallis, Oregon.

**ROLL CALL**

Present: Ellen Volmert, Nancy Brewer, Janet Chenard, Staci Voight, Bill Mercer, Mark O'Brien  
 (Minutes transcribed from recording by Teresa Nix)

Absent: James Patterson, Scott Fewel

**SUMMARY OF DISCUSSION**

Agenda Item	Information Only	Held for Further Review	Recommendations
I. Approval of Minutes from November 3, 2011			Approved as presented.
II. Fiscal Year 2011-2012 Second Quarter Review	X		
III. Open Discussion	X		
IV. Adjournment – 7:40 a.m.			

**CONTENT OF DISCUSSION**

**I. APPROVAL OF MINUTES**

Assistant City Manager Ellen Volmert invited any corrections to the minutes from the November 3, 2011 meeting. None being received, the minutes were approved as submitted.

**II. FISCAL YEAR 2011-2012 SECOND QUARTER REVIEW**

Treasury Accountant Staci Voight read the following statement regarding the economic outlook:

The Federal Open Market Committee (FOMC) announced earlier this week that they expect economic growth over the coming quarters to be modest, and further anticipate that the unemployment rate will decline only gradually. While indicators point to some improvement in overall labor market conditions, the unemployment rate remains elevated. Strains in global financial markets also continue to pose significant downside risks to the economic outlook. The FOMC decided to keep the target range for the federal funds rate at zero to ¼ percent, and will most likely stay at low levels at least through late 2014. Earlier this week, NPR released a story about their investigation of Freddie Mac claiming it has invested billions of dollars betting that U.S. homeowners won't be able to refinance their mortgages at today's lower rates. While these investments are legal, NPR states that it raises concerns about a conflict of interest within Freddie Mac. The City currently holds \$4 million in Freddie Mac securities. City staff has

been in contact with the City's Investment Advisor, Davidson Fixed Income Management, about the article. Davidson will continue to watch Freddie Mac, but has stated there is no immediate concern, and that there continues to be "headline" risk in terms of what the government agencies are involved in, ever since the bailouts and other banking fiascos.

Ms. Voight presented the Second Quarter Portfolio Summary (Attachment A). In looking at ending balances for the first quarter against the second quarter, in cash there was a net increase of about \$14.7 million which was from property taxes received in November and December. Investments had a net increase of about \$2.5 million. The total ending balance in December was at about \$43.75 million which was about \$1.6 million higher than this time last year. Investment activity included two purchases in November of \$3 million each; one matures in December of 2013 and the other matures in November of 2014. There was a maturity of \$2 million, and an investment called in November of \$1.5 million. The Total Portfolio went down by 7 basis points, and the Core Portfolio went down by 10 basis points. The State Pool has had no change in its rates, and the 2-Year Treasury went up by 7 basis points.

Ms. Voight said that the City has just finished negotiations with Wells Fargo for a Banking Services contract and hopes to have a start date of March 1.

Mr. Mercer referred to a recent newspaper article questioning why the City does not bank local. Finance Director Brewer said that there was a good article in the Oregonian in December explaining why Portland-area communities are not banking at local banks. The need for electronic and on-line services makes it difficult for local banks to get into that market. Local banks have created a really good tool set for individuals and small businesses. To create a tool set for large businesses would be expensive and there are not enough large businesses to give them the needed payback. The reason that local governments receive bids from Wells Fargo, Bank of America, and US Bank is that they have created the tool set for large businesses and they can scale it appropriately to meet the City's needs.

### **III. OPEN DISCUSSION**

There was no further discussion.

### **IV. ADJOURNMENT**

The meeting was adjourned at 7:40 a.m.

**City of Corvallis  
Investment Council  
February 2, 2012**

**Quarterly Portfolio Summary for the Quarter Ending 12/31/2011:**

	Treasury Report Pg. 5 <u>September 2011</u>	Treasury Report Pg. 5 <u>December 2011</u>	<u>Change</u>
<b>Cash</b>			
Petty Cash	\$9,932	\$10,392	\$460
Checking	\$759,751	\$1,008,968	\$249,217
Money Market	\$3,271,392	\$3,276,288	\$4,896
State Pool (LGIP)*	\$11,985,809	\$26,455,864	\$14,470,055
*ORS maximum \$43,889,508			
<b>Cash - Total</b>	<b>\$16,026,884</b>	<b>\$30,751,512</b>	<b>\$14,724,628</b>
<b>Investments - Total</b>	<b>\$10,500,000</b>	<b>\$13,000,000</b>	<b>\$2,500,000</b>
<b>Portfolio - Total</b>	<b>\$26,526,884</b>	<b>\$43,751,512</b>	<b>\$17,224,628</b>

<b>Investment Activity</b>			
	<u>Description</u>	<u>Maturity/Call Date(s)</u>	<u>Par Value</u>
Purchase - 11/21/11	FHLB 0.875%	12/27/2013	\$3,000,000
Purchase - 11/21/11	FFCB 0.730%	11/21/14, 1X 11/12	\$3,000,000
Maturity - 10/3/11	FFCB 3.50%		-\$2,000,000
Call - 11/25/11	FHLB 1.05%		-\$1,500,000
		<b>Net Change in Investments</b>	<b>\$2,500,000</b>

	Treasury Report Pg. 15-16 <u>September 2011</u>	Treasury Report Pg. 14-15 <u>December 2011</u>	<u>Change</u>
<b>Book Yields</b>			
Total Portfolio <sup>1</sup>	0.65	0.58	-0.07
Core Portfolio <sup>2</sup>	0.87	0.77	-0.10
State Pool (LGIP)	0.50	0.50	-
2 Year Treasury	0.18	0.25	0.07
<sup>1</sup> Total City Cash & Investments			
<sup>2</sup> Invested Portion of City Portfolio			

**Other Information:**

Banking conversion activities to Wells Fargo have been delayed due to contract negotiations. Implementation is projected to start March 1, 2012.

**MARCH 2012**

Treasuries had their steepest quarterly price decline since 2010 as the economy showed signs of improvement. With the exception of the very short end of the curve, Treasury yields increased during March. Non-farm payrolls rose 227,000. A gain of 210,000 was expected. Revisions to the previous two months added an additional 61,000 workers. Private employment rose 233,000 with government falling 6,000. Construction and other services fell while manufacturing, professional services, education/health and trade/transportation and utilities rose. This is the third consecutive month with non-farm payroll gains over 200,000. The gains indicated improvement, but remain historically weak and the gains remain well below the jobs that were lost in the recession.

Regarding the good news for the economy, in addition to the strong non-farm payroll numbers, Greece announced the largest restructuring of debt in history. The Greek government said 85.8% of eligible debt was submitted to be swapped into lower yielding/longer securities by private bond holders. While this action has added to global economic optimism, Greece's growth problems remain and problems with Spanish, Portuguese and Italian debt are still unresolved.

FOMC

The FOMC left its policy stance unchanged. However, the Fed did reiterate that the economy has been expanding moderately, but stated that "labor market conditions have improved further; the unemployment rate has **declined notably** in recent months but remains elevated." It also dropped its reference to "notwithstanding some slowing in global growth" in the first paragraph of their statement and removed "some" from "some further improvement." The market interpreted the Fed's comments as positive for the economy and less likelihood of additional quantitative easing.

ADDITIONAL MARCH HEADLINES:

- The final March consumer sentiment index was the highest in 13 months.
- February Retail Sales rose 1.1% after rising 0.6% in January (previously +0.4%) and rising 0.3% in December (previously unchanged).
- Stocks are recovering - the Dow Jones began March at 12,980 and finished at 13,212.
- The Core CPIU increased 0.2% after increasing 0.1% in December. The 12-month increase of 2.2% is the highest increase since September 2008.

CHANGES IN THE TREASURY MARKET OVER THE PAST QUARTER:

	<u>01/31/12</u>	<u>02/29/12</u>	<u>03/31/12</u>	<u>Chg March</u>
3-month bill	0.05	0.08	0.07	-0.01
6-month bill	0.08	0.13	0.13	unch
2-year note	0.22	0.30	0.33	+0.03
5-year note	0.70	0.86	1.04	+0.18
10-year note	1.80	1.97	2.21	+0.24

*Source: Bloomberg*

Market participants believe that rates will drift higher and the market will remain volatile. We would expect the Fed to first unwind any other stimulative measures before tightening monetary policy. We are keeping portfolios short of the benchmark and more barbelled in order to keep funds available for future investments with higher rates.

<u>Indicator</u>	<u>2008</u>	<u>2009</u>	<u>2010</u>	<u>2011</u>	<u>2012 est</u>	<u>2013 est</u>
Real GDP	0.40	-2.40	2.80	1.70	2.30	2.50
CPI (YOY)	3.85	-0.30	1.60	3.17	2.40	1.80
Unemployment	5.80	9.30	9.70	9.00	8.20	7.80

Source: Bloomberg Fed Forecasts

**Composite Economist's Rate Projections:** No change is projected for overnight rates through Q1 2013. Rates in the 2 year and 10 year are not expected to rise until the end of the year. Implementing yield curve strategies in portfolio management this year should add value to returns.

<u>Maturity</u>	<u>2010 Ending</u>	<u>2011 Ending</u>	<u>Q1 2012</u>	<u>Q2 2012 est</u>	<u>Q3 2012 est</u>	<u>Q4 2012 est</u>	<u>Q1 2013 est</u>
Fed Bank Rate	0.25	0.25	0.25	0.25	0.25	0.25	0.25
2 Year	0.60	0.24	0.27	0.35	0.40	0.47	0.57
10 Year	3.33	1.92	1.98	2.28	2.42	2.57	2.70

Source: Bloomberg

### STRATEGY FOR 2013

- Keep fully invested with minimized balances in liquidity.
- Hold durations slightly short the benchmark and after the end of next quarter, let them shorten up to the 85%-90% target.
- Work the yield curve with the volatility.

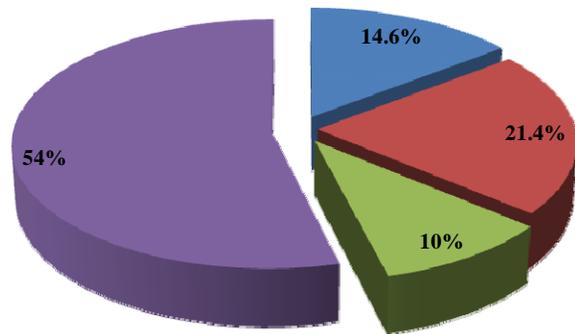
### CHANGES IN THE TREASURY MARKET:

	<u>12/31/10</u>	<u>12/31/11</u>	<u>3/31/12</u>	<u>Change Last Qtr</u>
3-month bill	0.13	0.01	0.06	0.06
6-month bill	0.18	0.05	0.13	0.08
2-year note	0.59	0.25	0.32	0.07
5-year note	2.00	0.87	1.03	0.16
10-year note	3.30	1.95	2.20	0.26

Source: Bloomberg

### CITY OF CORVALLIS TOTAL

DISTRIBUTION BY ASSET CLASS

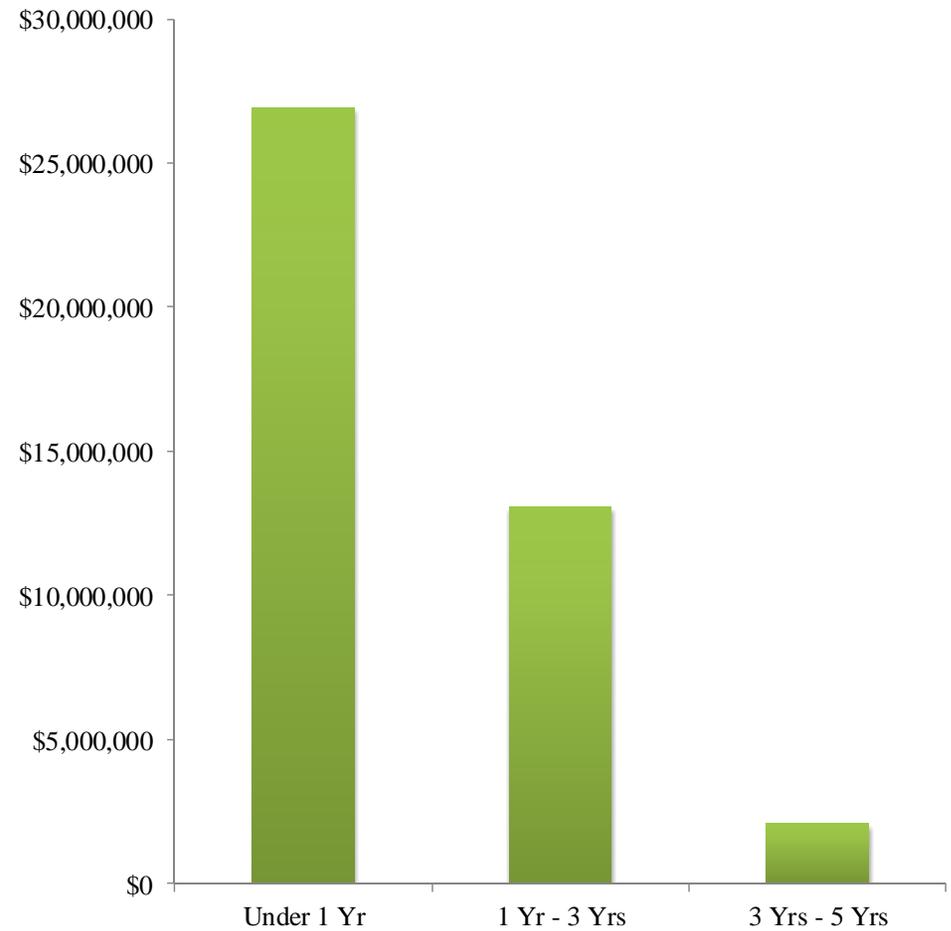


- AGENCY BULLET 6,138,399.56
- AGENCY CALLABLE 9,014,141.17
- CASH & EQUIVALENTS 4,203,950.84
- OR STATE POOL 22,712,714.38

DISTRIBUTION BY ISSUER

Industry Groups	Market Value	Pct.
STATE INVESTMENT POOL	22,712,714.38	53.99
FNMA	4,074,057.72	9.68
FHLB	4,064,288.50	9.66
FHLMC	4,013,621.17	9.54
BANK DEPOSITS	3,399,910.71	8.08
FFCB	3,000,573.33	7.13
CASH	804,040.13	1.91
<b>Total</b>	<b>42,069,205.94</b>	<b>100.00</b>

DISTRIBUTION BY MATURITY



## Policy Compliance Report

(Market Values)

### Overall Portfolio Structure

	Investment Strategy Range		Market Value	Neutral Allocation	Actual Allocation	Position
	Low	High				
Liquid Component	\$5,000,000.00	\$20,000,000.00	\$26,916,665.22	60.00%	<b>64.0%</b>	4.05%
Investment Component (Core)	\$15,000,000.00	\$20,000,000.00	\$15,109,881.00	40.00%	<b>36.0%</b>	-4.05%
<b>Total</b>			<b>\$42,026,546.22</b>			

	Policy Requirement	Actual Portfolio	Within Limits
Under 30 Days	> 10%	64%	Yes
Under 1 Year	> 25%	64%	Yes
Under 5 Years	100%	100%	Yes
WAM	< 1.5 Years	0.83	Yes

### Asset Allocation Strategy

	Policy Maximum Allocation	Per Issuer Restriction	Current Portfolio Allocation	Market Value	Policy Maximum Maturity	Amount Available to Invest	Within Limits
US Treasuries	100%		0.00%	\$0.00	5 Years	\$42,026,546.22	Yes
Federal Agency and Agency Sponsored	100%	40%	35.95%	\$15,109,881.00	5 Years	\$26,916,665.22	Yes
CDs/ Bank Deposits/ Savings (OST Qualified Institutions)	25%	15%	10.00%	\$4,203,950.84		\$6,302,685.72	Yes
Bankers Acceptances	10%		0.00%	\$0.00		\$4,202,654.62	Yes
Commercial Paper (A-1/P-1)	10%	5%	0.00%	\$0.00	120 Days	\$4,202,654.62	Yes
State Obligations (OR,WA, AA or better)	10%	5%	0.00%	\$0.00	5 Years	\$4,202,654.62	Yes
State Pool	ORS Maximum or 100%		54.04%	\$22,712,714.38	N/A	\$21,761,449.62	Yes
<b>Total</b>			<b>100.00%</b>	<b>\$42,026,546.22</b>			

ORS Maximum \$44,474,164.00

Policy : August 2011

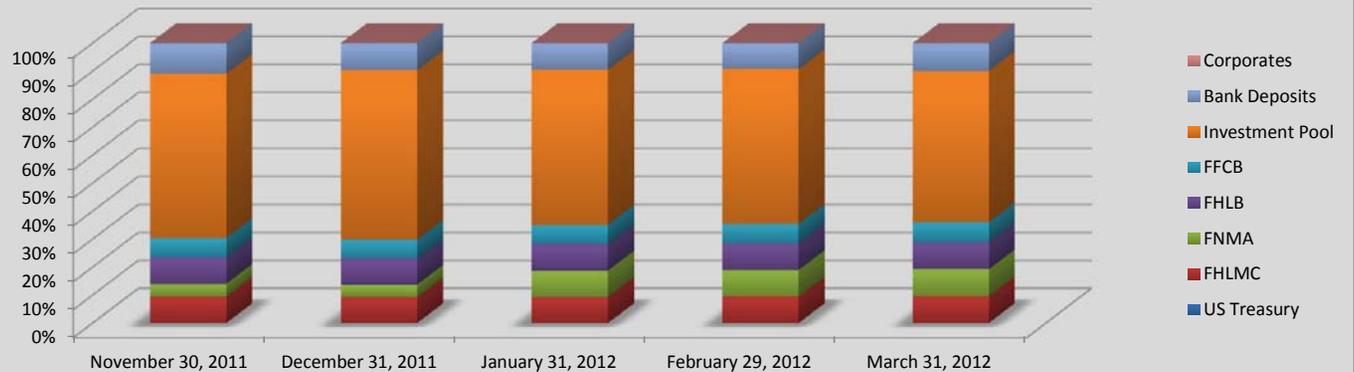
**Total Asset Allocation Strategy**  
 (Market Values)

**Commentary**

The portfolio remains diversified between government bonds. The pool rate increased to .60% this month, which had a favorable impact on the total portfolio's yield.

Sector	Yield	November 30, 2011	December 31, 2011	January 31, 2012	February 29, 2012	March 31, 2012	Change From Last Month
US Treasury	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
FHLMC	0.94%	\$4,006,958.00	\$4,006,904.00	\$4,006,854.00	\$4,006,752.00	\$4,005,392.00	(\$1,360.00)
FNMA	0.76%	\$1,994,266.00	\$1,996,080.00	\$4,069,336.00	\$4,063,162.00	\$4,059,598.00	(\$3,564.00)
FHLB	0.59%	\$4,049,236.00	\$4,048,169.00	\$4,050,786.00	\$4,054,692.00	\$4,052,226.00	(\$2,466.00)
FFCB	0.85%	\$2,992,359.00	\$2,996,088.00	\$3,006,486.00	\$2,998,506.00	\$2,992,665.00	(\$5,841.00)
Investment Pool	0.60%	\$25,143,786.34	\$26,455,864.13	\$23,809,613.74	\$23,526,034.78	\$22,712,714.38	(\$813,320.40)
Bank Deposits	0.48%	\$4,664,062.87	\$4,295,647.85	\$4,145,819.39	\$3,966,925.37	\$4,203,950.84	\$237,025.47
Corporates	0.00%	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total</b>	<b>0.65%</b>	<b>\$39,565,603.49</b>	<b>\$43,798,752.98</b>	<b>\$43,088,895.13</b>	<b>\$42,616,072.15</b>	<b>\$42,026,546.22</b>	<b>(\$589,525.93)</b>

**Current Sector Allocation**





**DETAIL AMORTIZATION COST RETURN**  
**CITY OF CORVALLIS TOTAL**  
 From 02-29-12 to 03-31-12

<b>CURRENT HOLDINGS</b>	<b>Interest Earned</b>	<b>Accretion (Amortization)</b>	<b>Realized Gain/Loss</b>	<b>Total Income</b>
AGENCY BULLET	6,888.89	-3,154.56	0.00	3,734.33
AGENCY CALLABLE	6,524.44	224.53	0.00	6,748.97
CASH & EQUIVALENTS	1,775.13	0.00	0.00	1,775.13
OR STATE POOL	11,011.69	0.00	0.00	11,011.69
<b>TOTAL</b>	<b>26,200.15</b>	<b>-2,930.03</b>	<b>0.00</b>	<b>23,270.12</b>

**SUMMARY OF AMORTIZED COST BASIS**  
**RETURN FOR THE PERIOD**  
**CITY OF CORVALLIS TOTAL**  
 February 29, 2012 to March 31, 2012

	<b>Total Portfolio</b>
Interest Earned	26,200.15
Accretion/Amortization	-2,930.03
Realized Gain/Loss on Sales	0.00
Total Income on Portfolio	23,270.12
Average Daily Historical Cost	42,630,380.42
Return	0.05%
Annualized Return	0.65%
Annualized Return Net of Fees	0.65%
Weighted Duration to Maturity in Years	0.82
Weighted Days to Maturity	306



**CITY OF CORVALLIS TOTAL  
 PORTFOLIO HOLDINGS**

March 31, 2012

Security Symbol	Quantity	Security	Call Date	Pur Date	Amort Price	Book Yield	Market Price	Market Yield	Market Value	Accrued Interest	Total Value	Unrealized Gain/Loss	Pct. Assets	Dur Mat	Dur Call
<b>AGENCY BULLET</b>															
3133XXYX9	1,000,000	FEDERAL HOME LN BKS 1.875% Due 06-21-13		05-11-11	101.41	0.71	101.95	0.28	1,019,460.00	5,208.33	1,024,668.33	5,385.81	2.4	1.21	1.21
313371UC8	3,000,000	FEDERAL HOME LN BKS 0.875% Due 12-27-13		11-21-11	100.56	0.55	101.09	0.24	3,032,766.00	6,854.17	3,039,620.17	15,973.15	7.2	1.73	1.73
31398A4M1	2,000,000	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15		01-13-12	102.86	0.81	103.01	0.77	2,060,118.00	13,993.06	2,074,111.06	2,842.29	4.9	3.45	3.45
	6,000,000					0.66		0.43	6,112,344.00	26,055.56	6,138,399.56	24,201.25	14.5	2.22	2.22
<b>AGENCY CALLABLE</b>															
3134G2SL7	2,000,000	FEDERAL HOME LN MTG CORP MTN 0.625% Due 08-08-13	08-08-12	08-03-11	100.04	0.57	100.06	0.58	2,001,278.00	1,840.28	2,003,118.28	573.08	4.8	1.35	0.36
3135G0DF7	2,000,000	FEDERAL NATL MTG ASSN 0.700% Due 09-19-14	09-19-12	09-12-11	100.00	0.70	99.97	0.71	1,999,480.00	466.67	1,999,946.67	-520.00	4.8	2.44	0.47
31331KT91	3,000,000	FEDERAL FARM CR BKS CONS 0.730% Due 11-21-14	11-21-12	11-21-11	99.69	0.85	99.76	0.82	2,992,665.00	7,908.33	3,000,573.33	1,919.60	7.1	2.60	0.64
3134G2PM8	2,000,000	FEDERAL HOME LN MTG CORP 1.250% Due 12-29-14	06-29-12	06-28-11	99.84	1.31	100.21	1.17	2,004,114.00	6,388.89	2,010,502.89	7,250.85	4.8	2.69	0.25
	9,000,000					0.86		0.82	8,997,537.00	16,604.17	9,014,141.17	9,223.53	21.4	2.31	0.45
<b>CASH &amp; EQUIVALENTS</b>															
CASH	10,582	CASH 0.220% Due 04-01-12		03-31-12	1.00	0.22	1.00	0.22	10,582.00	0.00	10,582.00	0.00	0.0	0.00	0.00
CBANK	119,634	Corvallis B of A 0.300% Due 04-01-12		11-30-11	1.00	0.30	1.00	0.30	119,633.79	0.00	119,633.79	0.00	0.3	0.00	0.00
CBANK2	3,280,277	Corvallis Umpqua Bank 0.600% Due 04-01-12		02-29-12	1.00	0.60	1.00	0.60	3,280,276.92	0.00	3,280,276.92	0.00	7.8	0.00	0.00
CBANK3	793,458	Corvallis Wells Fargo 0.000% Due 04-01-12		03-31-12	1.00	0.00	1.00	0.00	793,458.13	0.00	793,458.13	0.00	1.9	0.00	0.00
	4,203,951					0.48		0.48	4,203,950.84	0.00	4,203,950.84	0.00	10.0	0.00	0.00
<b>OR STATE POOL</b>															
ORPOOL	22,712,714	OREGON STATE POOL 0.600% Due 04-01-12		12-31-11	1.00	0.60	1.00	0.60	22,712,714.38	0.00	22,712,714.38	0.00	54.0	0.00	0.00
<b>TOTAL</b>	<b>41,916,665</b>					<b>0.65</b>		<b>0.61</b>	<b>42,026,546.22</b>	<b>42,659.72</b>	<b>42,069,205.94</b>	<b>33,424.78</b>	<b>100.0</b>	<b>0.82</b>	<b>0.42</b>

\*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

Special note: At this time AXYS does not correctly calculate book or market yields for variable rate, floating rate, or mortgage backed securities.



**CITY OF CORVALLIS TOTAL  
 TRANSACTION SUMMARY**

From 03-01-12 To 03-31-12

Trade Date	Settle Date	Cusip	Quantity	Security	Call Date	Amount	Broker
<b>Buy long</b>							
03-31-12	03-31-12	CASH	10,582	CASH		10,582.00	
				0.220% Due 04-01-12			
03-31-12	03-31-12	CBANK3	793,458	Corvallis Wells Fargo		793,458.13	
				0.000% Due 04-01-12			
						<hr/>	
						804,040.13	
<b>Deposit</b>							
03-31-12	03-31-12	manfee		Management Fee <sup>1</sup>		1,500.00	
<b>Interest</b>							
03-19-12	03-19-12	3135G0DF7		FEDERAL NATL MTG ASSN	09-19-12	7,000.00	
				0.700% Due 09-19-14			
03-31-12	03-31-12	ORPOOL		OREGON STATE POOL		11,011.69	
				0.600% Due 04-01-12			
03-31-12	03-31-12	CBANK		Corvallis B of A		211.38	
				0.300% Due 04-01-12			
03-31-12	03-31-12	CBANK2		Corvallis Umpqua Bank		1,563.75	
				0.600% Due 04-01-12			
						<hr/>	
						19,786.82	
<b>Sell long</b>							
03-31-12	03-31-12	ORPOOL	813,320	OREGON STATE POOL		813,320.40	
				0.600% Due 04-01-12			
03-31-12	03-31-12	CASH	10,432	CASH		10,432.00	
				0.220% Due 04-01-12			
03-31-12	03-31-12	CBANK	556,583	Corvallis B of A		556,582.66	
				0.300% Due 04-01-12			
						<hr/>	
						1,380,335.06	

1) Monthly allocation of the quarterly investment advisor fee from Davidson Fixed Income Management, Inc.

**AMORTIZATION AND ACCRETION - SETTLED TRADES**  
**CITY OF CORVALLIS TOTAL**  
 March 31, 2012

Purchase Information					Amortization/Accretion Information				
Quantity	Lot	Purchase Date	Price	Total Cost	Month To Date	Year To Date	Total To Date	Balance	Adjusted Cost
<b>FNMA(Straight Line)</b>									
FEDERAL NATL MTG ASSN 1.625% Due 10-26-15 (31398A4M1)									
2,000,000	1	01-13-12	103.028	2,060,564.00	-1,359.16	-3,288.29	-3,288.29	-57,275.71	2,057,275.71
<b>FNMA CALLABLE(Straight Line)</b>									
FEDERAL NATL MTG ASSN 0.700% Due 09-19-14 (3135G0DF7)									
2,000,000	1	09-12-11	100.000	2,000,000.00	0.00	0.00	0.00	0.00	2,000,000.00
<b>FHLB(Straight Line)</b>									
FEDERAL HOME LN BKS 0.875% Due 12-27-13 (313371UC8)									
3,000,000	1	11-21-11	100.674	3,020,223.00	-817.96	-2,401.11	-3,430.15	-16,792.85	3,016,792.85
FEDERAL HOME LN BKS 1.875% Due 06-21-13 (3133XXYX9)									
1,000,000	1	05-11-11	102.429	1,024,290.00	-977.44	-2,869.25	-10,215.81	-14,074.19	1,014,074.19
Total				4,044,513.00	-1,795.40	-5,270.36	-13,645.96	-30,867.04	4,030,867.04
<b>FFCB CALLABLE(Straight Line)</b>									
FEDERAL FARM CR BKS CONS 0.730% Due 11-21-14 (31331KT91)									
3,000,000	1	11-21-11	99.650	2,989,500.00	296.98	871.78	1,245.40	9,254.60	2,990,745.40
<b>FHLMC CALLABLE(Straight Line)</b>									
FEDERAL HOME LN MTG CORP 1.250% Due 12-29-14 (3134G2PM8)									
2,000,000	1	06-28-11	99.800	1,996,000.00	96.95	284.59	863.15	3,136.85	1,996,863.15
FEDERAL HOME LN MTG CORP MTN 0.625% Due 08-08-13 (3134G2SL7)									
2,000,000	1	08-03-11	100.100	2,002,000.00	-169.40	-497.27	-1,295.08	-704.92	2,000,704.92
Total				3,998,000.00	-72.45	-212.68	-431.93	2,431.93	3,997,568.07
<b>CASH(Straight Line)</b>									
CASH 0.220% Due 04-01-12 (CASH)									
10,582	4	03-31-12	1.000	10,582.00	0.00	0.00	0.00	0.00	10,582.00
Corvallis B of A 0.300% Due 04-01-12 (CBANK)									
119,634	5	11-30-11	1.000	119,633.79	0.00	0.00	0.00	0.00	119,633.79
Corvallis Umpqua Bank 0.600% Due 04-01-12 (CBANK2)									

\*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

Special Note: If a security matures or is sold between prior month end and this report it will not be included on this table. Please make adjustments as needed.



**AMORTIZATION AND ACCRETION - SETTLED TRADES**  
**CITY OF CORVALLIS TOTAL**  
 March 31, 2012

Purchase Information					Amortization/Accretion Information				
Quantity	Lot	Purchase Date	Price	Total Cost	Month To Date	Year To Date	Total To Date	Balance	Adjusted Cost
3,280,277	11	02-29-12	1.000	3,280,276.92	0.00	0.00	0.00	0.00	3,280,276.92
Corvallis Wells Fargo 0.000% Due 04-01-12 (CBANK3)									
793,458	1	03-31-12	1.000	793,458.13	0.00	0.00	0.00	0.00	793,458.13
Total				4,203,950.84	0.00	0.00	0.00	0.00	4,203,950.84
<b>POOL(Straight Line)</b>									
OREGON STATE POOL 0.600% Due 04-01-12 (ORPOOL)									
22,712,714	4	12-31-11	1.000	22,712,714.38	0.00	0.00	0.00	0.00	22,712,714.38
<b>GRAND TOTAL</b>				<b>42,009,242.22</b>	<b>-2,930.03</b>	<b>-7,899.55</b>	<b>-16,120.78</b>	<b>-76,456.22</b>	<b>41,993,121.44</b>

\*This information herein has been obtained from sources which we believe to be reliable, but do not guarantee its accuracy.

Special Note: If a security matures or is sold between prior month end and this report it will not be included on this table. Please make adjustments as needed.



**INTEREST ACCRUALS**  
**CITY OF CORVALLIS TOTAL**  
 From 02-29-12 To 03-31-12

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
<b>AGENCY</b>							
AGENCY BULLET							
FHLB							
3133XXYX9	FEDERAL HOME LN BKS 1.875% Due 06-21-13	3,541.67	0.00	0.00	0.00	1,666.67	5,208.33
313371UC8	FEDERAL HOME LN BKS 0.875% Due 12-27-13	4,520.83	0.00	0.00	0.00	2,333.33	6,854.17
		<u>8,062.50</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>4,000.00</u>	<u>12,062.50</u>
FNMA							
313984M1	FEDERAL NATL MTG ASSN 1.625% Due 10-26-15	11,104.17	0.00	0.00	0.00	2,888.89	13,993.06
		<u>11,104.17</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>2,888.89</u>	<u>13,993.06</u>
	AGENCY BULLET Total	<u>19,166.67</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>6,888.89</u>	<u>26,055.56</u>
AGENCY CALLABLE							
FNMA							
3135G0DF7	FEDERAL NATL MTG ASSN 0.700% Due 09-19-14	6,222.22	0.00	0.00	-7,000.00	1,244.44	466.67
		<u>6,222.22</u>	<u>0.00</u>	<u>0.00</u>	<u>-7,000.00</u>	<u>1,244.44</u>	<u>466.67</u>
FHLMC							
3134G2SL7	FEDERAL HOME LN MTG CORP MTN 0.625% Due 08-08-13	729.17	0.00	0.00	0.00	1,111.11	1,840.28
3134G2PM8	FEDERAL HOME LN MTG CORP 1.250% Due 12-29-14	4,166.67	0.00	0.00	0.00	2,222.22	6,388.89
		<u>4,895.83</u>	<u>0.00</u>	<u>0.00</u>	<u>0.00</u>	<u>3,333.33</u>	<u>8,229.17</u>



**INTEREST ACCRUALS**  
**CITY OF CORVALLIS TOTAL**  
 From 02-29-12 To 03-31-12

Security Symbol	Description	Beginning Accrued Interest	Purchased Interest	Sold Interest	Interest Received	Earned Interest	Ending Accrued Interest
FFCB 31331KT91	FEDERAL FARM CR BKS CONS 0.730% Due 11-21-14	5,961.67	0.00	0.00	0.00	1,946.67	7,908.33
		5,961.67	0.00	0.00	0.00	1,946.67	7,908.33
	AGENCY CALLABLE Total	17,079.72	0.00	0.00	-7,000.00	6,524.44	16,604.17
	AGENCY Total	36,246.39	0.00	0.00	-7,000.00	13,413.33	42,659.72
<b>CASH</b>							
CASH & EQUIVALENTS							
CASH							
CASH	CASH	0.00	0.00	0.00	0.00	0.00	0.00
	0.220% Due 04-01-12						
CBANK3	Corvallis Wells Fargo	0.00	0.00	0.00	0.00	0.00	0.00
	0.000% Due 04-01-12						
		0.00	0.00	0.00	0.00	0.00	0.00
BANK DEPOSITS							
CBANK	Corvallis B of A	0.00	0.00	0.00	-211.38	211.38	0.00
	0.300% Due 04-01-12						
CBANK2	Corvallis Umpqua Bank	0.00	0.00	0.00	-1,563.75	1,563.75	0.00
	0.600% Due 04-01-12						
		0.00	0.00	0.00	-1,775.13	1,775.13	0.00
	CASH & EQUIVALENTS Total	0.00	0.00	0.00	-1,775.13	1,775.13	0.00
OR STATE POOL							
STATE INVESTMENT POOL							
ORPOOL	OREGON STATE POOL	0.00	0.00	0.00	-11,011.69	11,011.69	0.00
	0.600% Due 04-01-12						
		0.00	0.00	0.00	-11,011.69	11,011.69	0.00



**INTEREST ACCRUALS**  
**CITY OF CORVALLIS TOTAL**  
From 02-29-12 To 03-31-12

<b>Security Symbol</b>	<b>Description</b>	<b>Beginning Accrued Interest</b>	<b>Purchased Interest</b>	<b>Sold Interest</b>	<b>Interest Received</b>	<b>Earned Interest</b>	<b>Ending Accrued Interest</b>
OR STATE POOL Total		0.00	0.00	0.00	-11,011.69	11,011.69	0.00
CASH Total		0.00	0.00	0.00	-12,786.82	12,786.82	0.00
<b>TOTAL PORTFOLIO</b>		<b>36,246.39</b>	<b>0.00</b>	<b>0.00</b>	<b>-19,786.82</b>	<b>26,200.15</b>	<b>42,659.72</b>

**City of Corvallis**  
**Glossary of Davidson Fixed Income Management, Inc. Acronyms and Terms**

<b>Investment/Issuer Types</b>			<b>Other</b>		
BA	Banker's Acceptance	FFCB	Federal Farm Credit Bureau	CPI	Consumer Price Index
CASH	Petty Cash	FFCR	Federal Farm Credit Bank	FOMC	Federal Open Market Committee
CBANK	Bank of America Checking	FHLB	Federal Home Loan Bank	GDP	Gross Domestic Product
CBANK2	Umpqua Money Market	FHLMC	Federal Home Loan Mortgage Corporation	OSTFB	Oregon Short Term Fund Board
CD	Certificates of Deposit	FNMA	Federal National Mortgage Association	QE	Quantitative Easing
CP	Commercial Paper	ORPOOL	Local Government Investment Pool	YTM	Yield to Maturity

\* All investments are held with US Bank, the City's third-party safekeeper.

**Asset Allocation Strategy:** a strategy that incorporates evaluating spread relationships between the investment alternatives. Treasury securities are the baseline yields to which all other issues are compared.

**Benchmark:** a benchmark is a target or market level comparator using a set of securities that appropriately matches the portfolio's risk and return characteristics through interest rate cycles.

**Book Value:** the cost of the principal at the time of the security purchase.

**Buy long:** reporting program terminology meaning a security has been placed in the portfolio.

**Days to Maturity:** (weighted average) number of days from the report date to the maturity date of a security (or group of securities).

**Duration Strategy:** a strategy that provides discipline for making investment decisions based on balancing risk and return. The duration of the portfolio will be adjusted relative to the benchmark as interest rates vary. The portfolio duration will be longer than the benchmark when rates are historically high and shorter when rates are historically low. The portfolio manager will typically manage the duration in a range of +/-25% to the benchmark duration.

**Investment Component (Core):** portion of the portfolio that is not expected to be needed for daily needs of participants. This portion is invested in maturities between 1 month and 3 years with an average maturity target of 9 months.

**Liquidity Component:** portion of the portfolio that is held in short maturity investments to meet immediate liquidity needs of the Funds. Investments designated to this component are LGIP Funds and Bank deposits.

**Market Value:** par value time the price at which the security could theoretically have been sold at month end per Interactive Data Corp. (IDC) an independent third-party security pricing firm.

**Par Value:** the face value of a security. This is the value to which the coupon rate is applied for interest payments.

**Purchased Accrued Interest:** number of days interest between last coupon date and purchase date that is paid for at time of investment purchase.

**Return:** the return of the total funds will be calculated on an accrual yield basis, which is the amount paid out to participants. This return will be compared to the OST Pool rate. Additionally, a total return calculation will be calculated and tracked internally to assist management in being accountable to the risk and return of the core investment portfolio on a market value basis.

**Risk:** the risks associated with investing are credit risk, mark to market risk and reinvestment rate risk.

**Security Types:** the portfolio's call exposure will be managed through balancing callable or variable rate exposure to fixed rate maturity securities.

**Sell long:** reporting program terminology meaning a security in the portfolio is available to sell; typically a liquid/cash account, since the City generally holds to maturity.

**Term:** (weighted average) number of days from the purchase date to the maturity date of a security (or group of securities).

**Yield Curve Strategy:** the portfolio will be generally laddered, but the manager will implement a yield curve strategy when value is present in particular maturity sectors.

**City of Corvallis**  
**Cash Flow Summary**  
**March 2012**

	Receipts (1)	Disbursements (2)	Net
Actual Activity	5,348,971	5,847,238	(498,267)
Projected Activity	6,202,011	8,146,633	(1,944,622)
<b>Difference</b>	<b>(853,040)</b>	<b>(2,299,395)</b>	<b>1,446,355</b>

(1) Receipts include deposits and interest received.

Receipts are less than budget mostly due to Federal and State Grants cashflowed for but not yet received in March. Several capital improvement projects (CIP) have been delayed resulting in delayed grant reimbursement requests.

(2) Disbursements include vendor payments, payroll costs, and all other operating expenditures made by check and wire or electronic transfer.

Disbursements continue to be lower than budget in the areas of Salaries & Wages and General Services as the City continues to see a cost savings due to the number of vacancies it holds along with several CIP projects being postponed. Vehicle disbursements are also significantly lower than what was cashflowed for in March due to a Public Works water truck not yet purchased and other vehicles being purchased earlier in the year than originally budgeted for; a Public Works street backhoe was purchased in February, and two ambulances for the Fire Department were purchased in October.

Intrafund and interfund transfers, and investment purchases and maturities are movements between cash in different accounting funds or investment securities. The net effect on cash is zero, therefore they are not included.

**City of Corvallis**  
**Monthly Revenue Allocations**  
**Distributed in March 2012**

<b>Fund</b>	<b>Fund Name</b>	<b>Month's Avg Cash Balance</b>	<b>Interest Distributed</b>	<b>Fund</b>	<b>Fund Name</b>	<b>Month's Avg Cash Balance</b>	<b>Interest Distributed</b>
101	General	2,439,400.60	1,361.74	460	Davidson Library	5,938.06	3.25
201	Street	859,131.57	441.52	501	Water	1,169,974.30	619.47
208	Street SDC	1,942,138.99	1,060.82	502	Water Timber	328,489.53	193.38
210	Parks & Recreation	1,902,767.27	1,086.23	508	Water SDC	4,401,821.73	2,408.47
211	Parks & Recreation - Aquatics	226,378.65	129.98	509	Water Construction	262,300.38	209.23
212	Open Space	94,167.13	51.93	520	Wastewater	3,671,856.29	1,966.64
218	Parks SDC	1,768,853.42	968.93	528	Wastewater SDC	7,345,629.66	141.89
220	911	573,931.97	346.82	529	Wastewater Construction	244,160.56	3,993.73
230	Development Services	1,400,712.24	756.02	540	Storm Water	1,637,736.47	896.74
240	Fire & Rescue	2,598,696.24	1,515.53	548	Storm Water SDC	55,690.22	29.70
250	Comm Dev Revolving	20,587.84	20.18	549	Storm Water Construction	49,145.43	29.67
260	Parking	1,041,041.44	572.38	560	Airport	503,111.18	269.68
270	Transit	526,478.73	277.25	569	Airport Construction	29,408.45	16.22
290	Library	2,362,323.27	1,381.85	610	Fleet Maintenance	73,696.53	40.06
291	Library 2010	433,599.51	239.18	615	Facility Maintenance	244,040.15	130.06
301	Capital Improvement	956,195.66	539.46	620	Technology & Communications	719,085.71	391.66
401	General Obligation Debt Service	1,855,650.31	1,005.58	625	Administrative Services	522,463.09	284.94
				630	Risk Management	939,400.83	521.87
<b>Total</b>						<b>43,206,003.40</b>	<b>23,902.06</b>

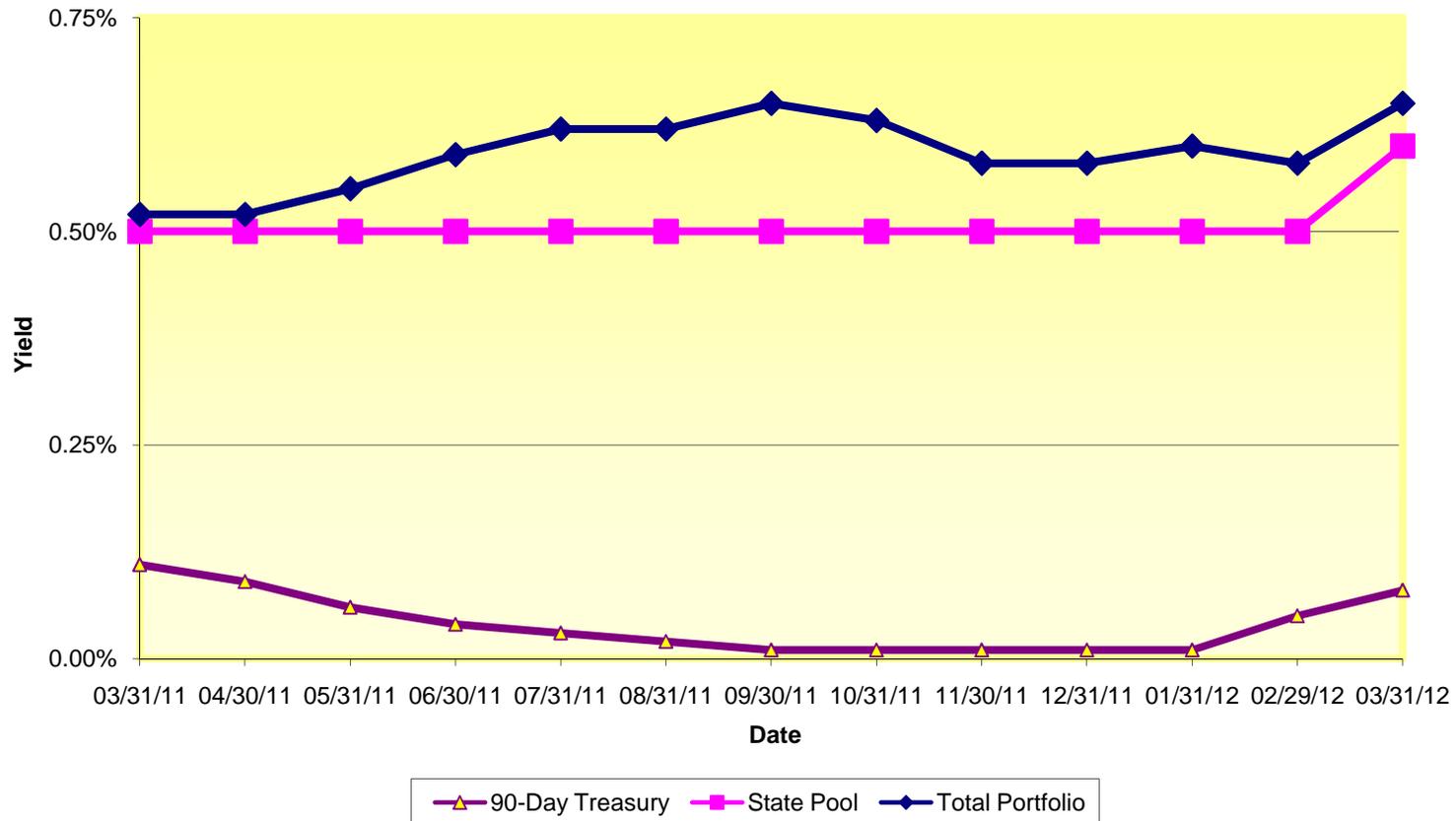
Accrual accounting on investments was implemented in August 2011. The interest distributed will equal the monthly interest income accrual, net of any amortization or accretion on a premium/discount paid on an investment; this is also net of the previous fiscal year's GASB 31 Fair Value Adjustment reversal.

The distribution is based on the average cash balance for the period in which interest is earned.

The interest distributed to sub-funds 509, 529, 549, & 569 is distributed to the operations fund.

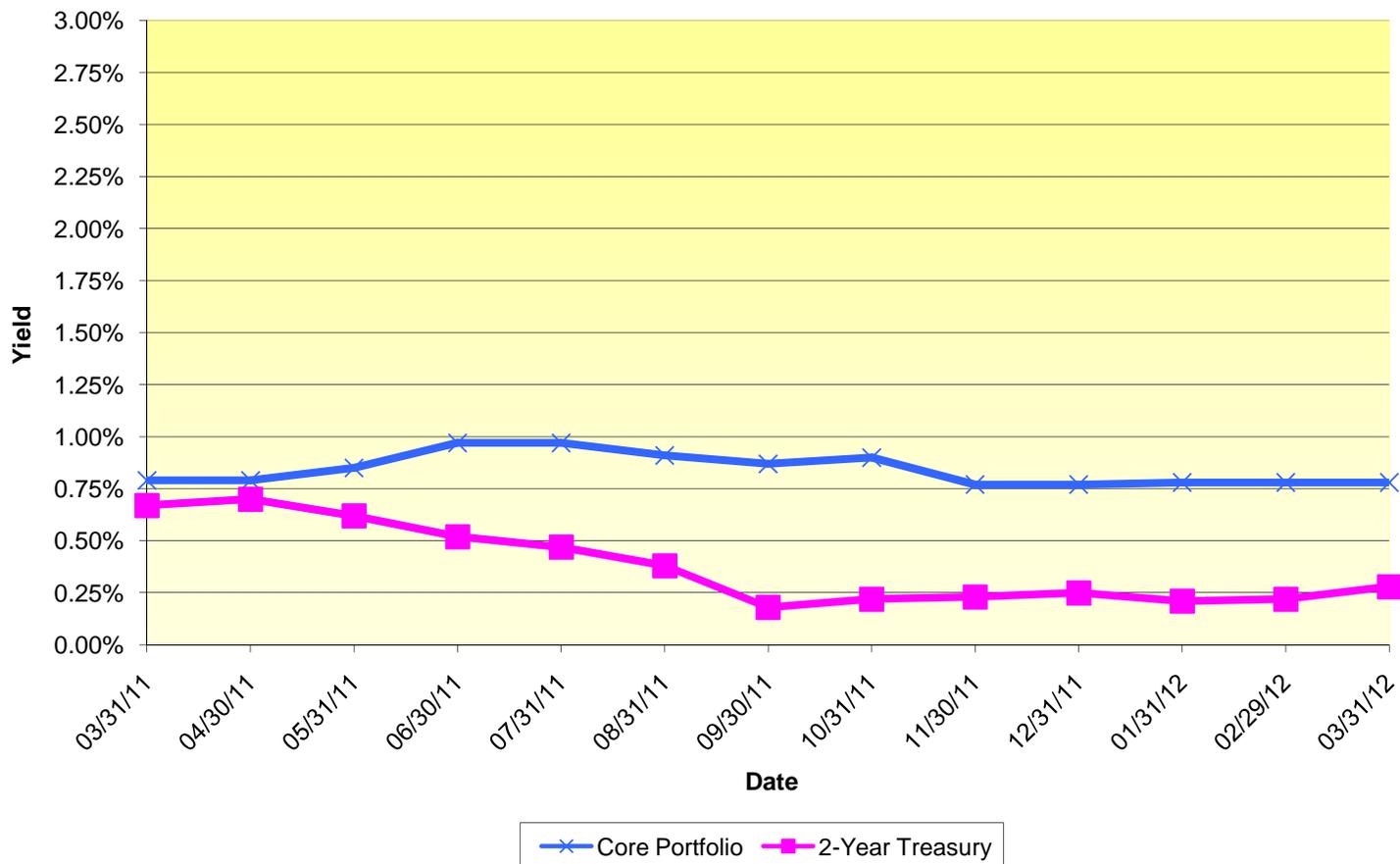


## City of Corvallis Total Portfolio vs. Benchmark March 2011 - March 2012



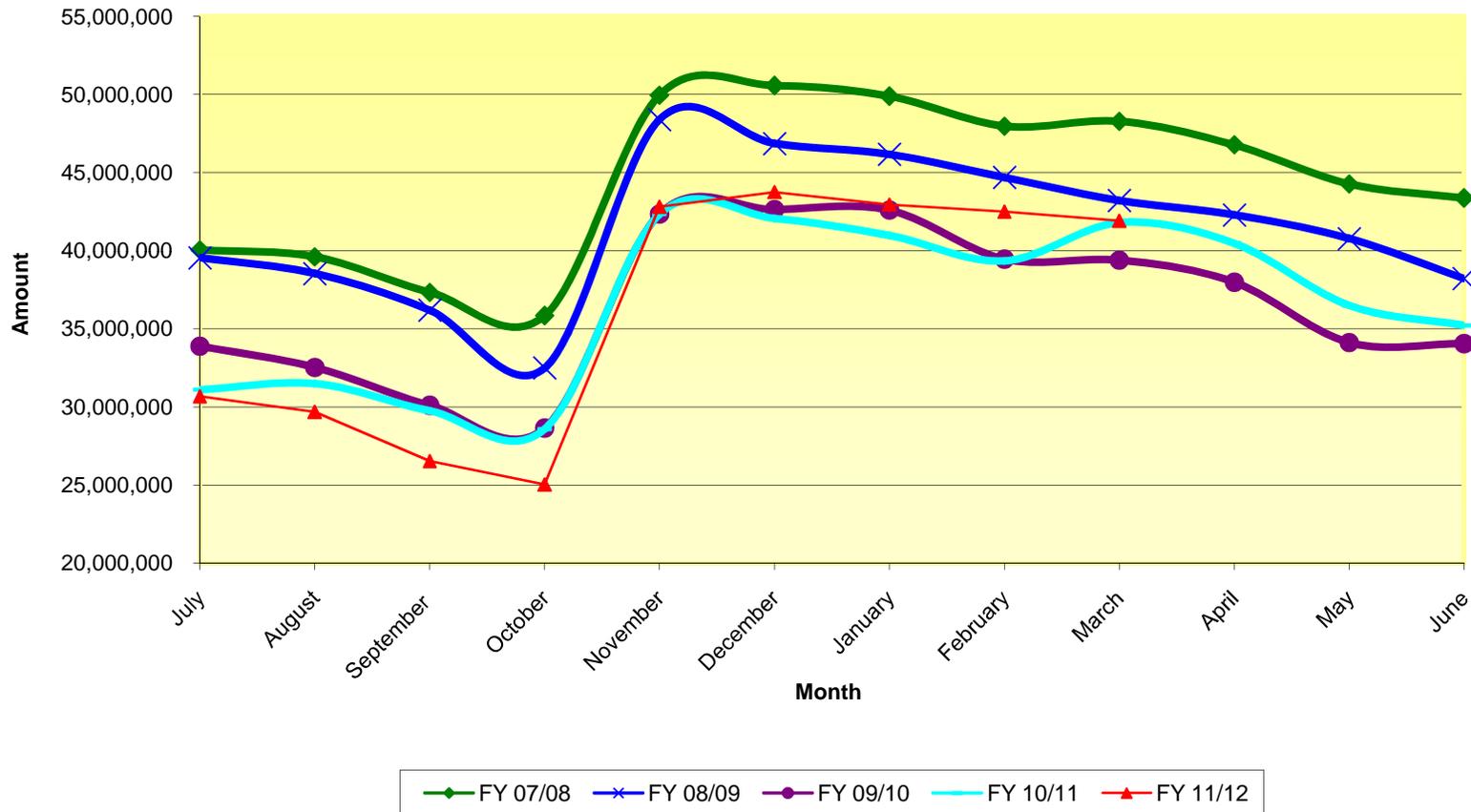


## City of Corvallis Core Portfolio vs. Benchmark March 2011- March 2012





## City of Corvallis Cash & Investments





## City of Corvallis Cash and Investments By Quarter

